

PUBLIC DISCLOSURE

June 8, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northmark Bank
Certificate Number: 27119

89 Turnpike Street
North Andover, MA 01845

Division of Banks
1000 Washington Street
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Northmark Bank's (the bank) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The average loan-to-deposit (LTD) ratio of 96.3 percent is more than reasonable (considering seasonal variations and taking into account lending related activities) given the bank's size, financial condition, and assessment area credit needs.
- The bank made a majority (56.9 percent) of home mortgage and small business loans in the assessment area during the evaluation period.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, including low- and moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes.
- The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 19, 2012, to the current evaluation dated June 8, 2015. Examiners used the Interagency Intermediate Small Bank (ISB) Examination Procedures, as established by the Federal Financial Institutions Examination Council (FFIEC), to evaluate the bank's CRA performance. ISB examination procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test evaluated the bank's lending performance based on criteria including: Loan-to-deposit (LTD) ratio, assessment area (AA) concentration, geographic distribution, borrower profile, and response to CRA-related complaints.

The Community Development Test considered the number and dollar amount of community development loans, investments, and services, as well as the responsiveness to community development needs of the AA.

Institutions must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

The bank has delineated a single AA consisting of 54 contiguous census tracts located about 30 miles north of Boston, Massachusetts, and 20 miles south of the New Hampshire state border. The census tracts are located in the Cambridge-Newton-Framingham Metropolitan Statistical Area (MSA) 15764, and centered-around the bank's offices from North Andover to Winchester, Massachusetts. The AA includes three low-, three moderate-, 23 middle-, and 25 upper-income geographies.

Loan Products Reviewed

The bank's primary focus is the origination of residential and commercial loans. As of March 31, 2015, residential real estate lending comprised 60.2 percent of the bank's loan portfolio, the majority of which were secured by 1-4 family properties. Commercial real estate lending represents 22.7 percent of the portfolio, and commercial and industrial loans represents 10.0 percent. Examiners reviewed both home mortgage and small business loans originated in 2013 and 2014. Neither small farm nor consumer loans were reviewed as they comprise just 0.3 percent, combined, of the bank's loan portfolio.

This evaluation considered all home mortgage loans reported on the bank's 2013 and 2014 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2013, the bank reported 175 loans totaling \$61.7 million, and for 2014, the bank reported 136 loans totaling \$56.5 million. In addition, this evaluation considered all small business loans originated in 2013 and 2014. In 2013, the bank originated 128 small business loans totaling \$16.7 million, and in 2014, the bank originated 125 small business loans totaling \$18.1 million. The bank's home mortgage lending data was compared to aggregate lending data, and D&B business demographic data for 2014 was used to assess small business lending performance.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated March 19, 2012.

DESCRIPTION OF INSTITUTION

Background

Northmark Bank, founded in 1987, is headquartered in North Andover, Massachusetts, and operates in the northeastern part of Massachusetts, in Essex and Middlesex Counties. The Main Office is located approximately 30 miles north of Boston. The bank is primarily engaged in residential and commercial real estate lending, and total loans and assets have grown 14.8 percent and 9.3 percent, respectively, over the 27 month period ending March 31, 2015. The bank is privately held and has two wholly owned subsidiaries: Northmark Securities Corporation, an entity engaged in buying and selling securities solely on its behalf; and, Walrum, Inc., an entity used by the bank to manage and dispose of real estate. The bank received a Satisfactory rating at its previous joint FDIC and Massachusetts Division of Banks Performance Evaluation dated March 19, 2012. The evaluation was performed using the FFIEC's ISB Examination Procedures.

Operations

Northmark Bank has three full-service branches located within its AA, one each in Andover and North Andover, both middle-income geographies, and one in Winchester, an upper-income tract. Deposit-taking automated teller machines (ATMs) are available at all branches, and the bank maintains a stand-alone deposit-taking ATM in a middle-income tract in Methuen. The bank offers various home mortgage and commercial loan programs, and offers a first-time homebuyer program that credits the cost of the appraisal back to the consumer at closing. The bank also offers a variety of consumer and commercial deposit services including checking and savings accounts, negotiable order of withdrawal accounts, money market accounts, and certificates of deposit. Online and mobile banking functionality, including remote deposit capture and online bill pay, are also available. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous examination.

Ability and Capacity

Assets totaled approximately \$333.9 million as of March 31, 2015, and included total loans of \$277.8 million and securities totaling \$25.8 million. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet AA credit needs. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 3/31/15		
Loan Category	\$(000s)	%
Construction and Land Development	18,003	6.5
Secured by Farmland	0	0.0
1-4 Family Residential	158,369	57.0
Multi-family (5 or more) Residential	8,865	3.2
Commercial Real Estate	63,173	22.7
Total Real Estate Loans	248,410	89.4
Commercial and Industrial	27,857	10.0
Agricultural	250	0.1
Consumer	858	0.3
Other	511	0.2
Less: Unearned Income	0	0.0
Total Loans	277,886	100.0
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. Northmark Bank designated a single AA containing 54 census tracts, all located in MSA 15764, the Cambridge-Newton-Framingham, Massachusetts MSA, encompassing Middlesex and Essex counties. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The AA includes all of the census tracts located in Andover, Arlington, Lexington, North Andover, North Reading, Reading, Wilmington, Winchester, and Woburn. The AA also includes census tracts 2515, 2516, 2517, and 2518 located in Lawrence, and census tract 2526.01 located in Methuen. According to the 2010 U.S. Census, three census tracts are designated low-income (census tracts 2515, 2516, and 2517 in Lawrence); three are designated moderate-income (census tract 2518 in Lawrence and tracts 3333, and 3335.02 in Woburn); 23 are designated middle-income; and, 25 are designated upper-income.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	54	5.5	5.6	42.6	46.3	0.0
Population by Geography	288,295	6.0	5.0	44.1	44.9	0.0
Housing Units by Geography	114,058	5.7	5.6	46.2	42.5	0.0
Owner-Occupied Units by Geography	79,662	2.8	4.3	43.8	49.1	0.0
Businesses by Geography	26,064	3.7	3.5	48.9	43.9	0.0
Family Distribution by Income Level	75,767	15.9	14.1	20.3	49.7	0.0
Median Family Income		\$113,282	Median Housing Value			\$503,008
FFIEC-Estimated Median Family Income for 2014		\$93,300	Median Gross Rent			\$1,195
			Families Below Poverty Level			4.2%

Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC-Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

According to 2014 D&B data, there are 26,064 businesses operating in the bank's AA. 71.1 percent have gross annual revenues (GARs) of \$1 million or less, 6.7 percent have GARs of more than \$1 million, and 22.2 percent have unknown GARs. According to the State of Massachusetts Executive Office of Labor and Workforce Development, the largest employers in Essex and Middlesex Counties include companies in the healthcare, engineering, science, education, and retail industries.

The rate of unemployment in Massachusetts has declined 0.9 percent since March 19, 2012, to 5.7 percent as of 2014. Unemployment in the AA counties also declined during this period. Essex County experienced higher unemployment rates (peaking at 7.0 percent in 2012) than Middlesex County (peaking at 5.4 percent in 2012), and Essex County unemployment rates have

historically been higher than statewide averages. Within the AA communities located in Essex County, the highest unemployment rate was experienced in Lawrence (peaking at 13.6 percent in 2012). The census tracts in Lawrence encompass all three of the low-income census tracts and one of the three moderate-income census tracts in the bank's AA.

Middlesex County unemployment rates have been consistently lower than Essex County. Within the AA communities located in Middlesex County, the highest unemployment rates were experienced in North Reading, Wilmington and Woburn. As previously noted, two moderate-income tracts of the AA are located in Woburn. According to the Bureau of Labor Statistics, as of April 2015 the unemployment rates for Essex and Middlesex counties are 4.3 percent and 3.3 percent, respectively.

The 2014 FFIEC-estimated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
15764 MSA Median Family Income (\$93,300)				
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2013 (\$101,000)	<\$50,500	\$50,500 to <\$80,800	\$80,800 to <\$121,200	≥\$121,200
2012 (\$106,400)	<\$53,200	\$53,200 to <\$85,120	\$85,120 to <\$127,680	≥\$127,680
<i>Source: FFIEC</i>				

According to the 2010 U.S. Census, there are 114,058 housing units in the bank's AA, and 79,662 (69.8 percent) of these are owner-occupied. 11.3 percent of housing units are located in low- and moderate-income census tracts, and 88.7 percent are located in middle- and upper-income tracts. The Geographic Distribution criterion compares home mortgage loans originated to the distribution of owner-occupied housing units.

Competition

The bank operates in a highly competitive market. Residential lending market share reports indicate that 378 financial institutions, including many national and regional lending organizations, originated 17,857 home mortgage loans totaling \$6.0 billion in the bank's AA in 2013. The top 10 home mortgage loan originators are all large national banks that together originated 7,665 loans totaling \$2.6 billion, for a combined market share of 42.9 percent based on number of loans originated.

According to the FDIC Deposit Market Share data, as of June 30, 2014, there were 74 financial institutions operating 774 offices in Essex and Middlesex Counties. Of these institutions, Northmark Bank ranked 43rd with a 0.4 percent deposit market share. The three institutions with the largest amount of deposits include Bank of America, N.A., Citizens Bank, N.A., and TD Bank, N.A. Similarly situated banks, such as Haverhill Bank, Beverly Bank, and Everett Co-operative Bank, ranked 41st, 40th, and 39th, respectively.

As an ISB, the bank is not required to collect or report small business loan data. The bank has elected to collect but not report the data; therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans. Aggregate data for 2013 shows that 121 lenders reported 19,668 small business loans in the AA. This indicates a high degree of competition for small business loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs.

Examiners interviewed two representatives of a community development organization in the AA to discuss the needs of the AA, the needs of the community development organization, and to identify opportunities for financial institutions to provide community development assistance. The community organization contacted focuses on real estate development, youth development, and community organizing. The two representatives interviewed, both executive-level managers with extensive community service experience, mentioned several activities that present potential CRA-related needs of the assessment area. These opportunities include, but are not limited to the need for real estate development loan programs, savings incentive programs, financial education training programs for individuals and small business owners, small business loan programs, and direct financial support of community organizations through grants and donations.

Credit and Community Development Needs and Opportunities

The community contact representatives stated that the most critical community need of the AA is employment, including new jobs and those that pay higher wages. Although AA unemployment rates have declined over that last three years, the median family income for the Cambridge-Newton-Framingham, Massachusetts MSA has also declined 12.3 percent since 2012. Community representatives believe that declining incomes could be helped if more financial institutions offered programs specifically designed to provide loans (in principal amounts of \$5,000 or less) to small and start-up businesses typically employing five or fewer employees. According to D&B data, over 70.0 percent of the businesses operating in the bank's AA employ fewer than 10 people.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Northmark Bank demonstrated reasonable performance under the Lending Test. Performance under Borrower Profile and Geographic Distribution provide primary support for this conclusion.

Loan-to-Deposit Ratio

The bank's average net LTD ratio of 96.3 percent is more than reasonable. This conclusion considers the bank's asset size, financial condition, and the credit needs of its AA. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The calculation incorporated 12 quarters of data since the prior evaluation, and was based on quarterly FFIEC Consolidated Reports of Condition and Income (Call Reports). This performance factor also includes a comparison with similarly situated institutions. Similarly situated institutions are determined based on asset size, market area, and lending focus. Examiners identified three similarly situated institutions. These institutions include Haverhill Bank, Everett Co-operative Bank, and Beverly Bank.

The bank's net LTD ratio has steadily increased since the last examination. The bank's total deposits remained essentially unchanged since the last evaluation, while net loans increased 13.0 percent. The bank's net loan growth is facilitated by its sales of loans on the secondary market. Since the last examination, the bank sold approximately 99 loans totaling \$24.3 million on the secondary market.

During the last 12 quarters, the bank's net LTD ratio ranged from a high of 103.8 percent as of December 31, 2014, to a low of 89.8 percent as of March 31, 2012. As the table below illustrates, the bank's average net LTD ratio is comparable to those of similarly situated banks.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2015 \$(000s)	Average Net LTD Ratio (%)
Everett Co-operative Bank	395,083	103.6
Northmark Bank	333,938	96.3
Beverly Bank	350,448	94.7
Haverhill Bank	342,251	88.8
<i>Source: Reports of Income and Condition 3/31/12 through 3/31/15</i>		

Assessment Area Concentration

This performance criterion measures the percentage of the bank's lending that benefit AA residents and evaluates the adequacy of such lending. Northmark Bank originated a majority of its home mortgage and small business loans, combined, within its assessment area. The following table details the bank's lending activity inside and outside of the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2013	88	50.3	87	49.7	175	31,071	50.3	30,647	49.7	61,718
2014	67	49.3	69	50.7	136	31,333	55.5	25,153	44.5	56,486
Subtotal	155	49.8	156	50.2	311	62,404	52.8	55,800	47.2	118,204
Small Business										
2013	87	68.0	41	32.0	128	9,983	59.7	6,726	40.3	16,709
2014	79	63.2	46	36.8	125	10,945	60.5	7,160	39.5	18,105
Subtotal	166	65.6	87	34.4	253	20,928	60.1	13,886	39.9	34,814
Total	321	56.9	243	43.1	564	83,332	54.5	69,686	45.5	153,018
Source: 2013 and 2014 HMDA and CRA Reported Data										

Home Mortgage Loans

The bank originated slightly less than half its home mortgage loans inside the AA in 2013 and 2014. This performance, however, reflects an improvement from the previous evaluation when the bank originated 47.9 percent of its home mortgages in the AA in 2010 and 2011. While lending in the AA was less than a majority by number, the bank made a majority of loans by dollar inside the AA during the current evaluation period.

Northmark Bank faces significant competition for home mortgage loans, with 378 lenders originating at least one loan in the AA in 2013. In 2013, Northmark Bank ranked 47th in home mortgage loan originations in the AA with 88 loans originated and a market share of 0.5 percent. Top ranking institutions were all much larger organizations with national recognition including JP Morgan Chase Bank, N.A., Wells Fargo Bank, N.A., and Bank of America, N. A.

Small Business Lending

In 2013 and 2014, the bank originated a majority of small business loans in the AA by number (65.6 percent) and dollar amount (60.1 percent).

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. As the table below shows, the bank's lending in low-income tracts in 2013 and 2014 exceeded both aggregate lending performance and the percentage of owner-occupied housing inventory. Although the bank made only one loan in low-income census tracts in 2013, the percentage was higher than the aggregate. Similarly, the bank's lending in moderate-income

census tracts during 2013 and 2014 also exceeded aggregate performance and the percentage of owner-occupied housing inventory in the AA.

Market share data indicates the bank's performance is reasonable compared to other lenders. Although the bank ranked 75th out of 132 lenders in 2013 for lending in low-income tracts of the AA, the bank originated at least one loan in each low-income tracts of the AA in 2014.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	0.7	0.5	1	1.1	256	0.8
2014	2.8	--	3	4.5	791	2.5
Moderate						
2013	6.4	4.7	6	6.8	1,250	4.0
2014	4.3	--	5	7.5	1,130	3.6
Middle						
2013	45.0	43.2	33	37.5	10,866	35.0
2014	43.8	--	25	37.3	11,678	37.3
Upper						
2013	47.9	51.6	48	54.6	18,699	60.2
2014	49.1	--	34	50.7	17,734	56.6
Totals						
2013	100.0	100.0	88	100.0	31,071	100.0
2014	100.0	--	67	100.0	31,333	100.0
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Data; 2013 HMDA Aggregate Data. "--" is data not available.</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA.

As the following table illustrates, in 2013, the percentage of small business loans originated by the bank in low- and moderate- income census tracts exceeded the percentages of small businesses located in those tracts. The bank's performance of lending to businesses in low-income tracts increased significantly to six loans in 2014. The bank's level of small business lending in moderate-income tracts exceeded the demographic comparison in 2013, but declined to a single loan in 2014. Refer to the following table for more information.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2013	1.6	2	2.3	147	1.5
2014	3.7	6	7.6	487	4.4
Moderate					
2013	5.5	7	8.0	1,234	12.4
2014	3.5	1	1.3	6	0.1
Middle					
2013	46.2	64	73.6	7,503	75.1
2014	48.9	62	78.5	9,856	90.1
Upper					
2013	46.7	14	16.1	1,099	11.0
2014	43.9	10	12.6	596	5.4
Totals					
2013	100.0	87	100.0	9,983	100.0
2014	100.0	79	100.0	10,945	100.0
<i>Source: 2013, 2014 D&B Data, Bank Records</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. They also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers in 2013, at 2.3 percent, is reasonable when compared to the aggregate data of 4.1 percent. A low-income family in the assessment area, with an income of \$50,000 or less in 2013, would not likely have qualified for a mortgage under conventional underwriting standards, especially considering the high median housing value of \$503,008. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 15.9 percent of families of this income level. The bank demonstrated a consistent trend of lending to low-income borrowers in 2014 with two home mortgage loans representing 3.0 percent of total loans that year.

The bank's performance of lending to moderate-income borrowers in 2013, at 6.8 percent, is below aggregate at 12.3 percent. The bank did not originate any loans to moderate-income borrowers in 2014.

Market share data further supported the bank's reasonable performance under this criterion. In 2013, the bank ranked 75th in lending to low-income borrowers with a 0.3 percent market share. The bank ranked 69th in lending to moderate-income borrowers with a 0.3 percent market share. These market rankings are somewhat behind the bank's overall market rank of 47th, but not unreasonable. Loans originated on behalf of family and realty trusts and other entities resulted in the relatively large percentage of loans for which applicant income is not available.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	15.9	4.1	2	2.3	226	0.7
2014	15.9	--	2	3.0	869	2.8
Moderate						
2013	14.8	12.3	6	6.8	1,433	4.6
2014	14.1	--	0	0.0	0	0.0
Middle						
2013	21.0	21.3	7	8.0	1,765	5.7
2014	20.3	--	7	10.5	1,637	5.2
Upper						
2013	48.3	51.6	36	40.9	12,494	40.2
2014	49.7	--	26	38.8	13,723	43.8
Income Not Available						
2013	NA	10.7	37	42.0	15,153	48.8
2014	NA	--	32	47.7	15,104	48.2
Total						
2013	100.0	100.0	88	100.0	31,071	100.0
2014	100.0	--	67	100.0	31,333	100.0
<i>Source: 2010 U.S. Census; 2013 and 2014 HMDA Data; 2013 HMDA Aggregate Data; "--" is data not available .</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. As reflected in the following table, the bank's performance in 2013 exceeded its 2014 performance. In 2013, the bank made 64.4 percent of loans to businesses with GARs of \$1 million or less. This number compares reasonably the percent of businesses in this revenue category at 71.8 percent. The level of small business lending decreased to 51.9 percent in 2014. Despite the large decrease by number of loans, the percentage by dollar decreased by only 6.5 percentage points. This level of lending reflects reasonable performance.

Examiners also considered the size of the bank's small business loans, with emphasis placed on loans with principal amounts of \$100,000 or less as those are more likely to be originated to the area's very small businesses. In 2013, 43 of the bank's 56 (76.8 percent) small business loans had original principal amounts of less than \$100,000; and, in 2014, 33 of 41 (80.5 percent) small business loans had original principal amounts of less than \$100,000. These percentages reflect

the institution's commitment to meeting the credit needs of small and particularly very small businesses in its AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Annual Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
≤ \$1,000,000						
2013	71.8	NA	56	64.4	4,582	45.9
2014	71.1	--	41	51.9	4,310	39.4
> \$1,000,000						
2013	6.2	NA	31	35.6	5,401	54.1
2014	6.7	--	36	45.6	6,298	57.5
Subtotal						
2013	78.0	NA	87	100.0	9,983	100.0
2014	77.7	--	77	97.5	10,608	96.9
Revenue Not Available						
2013	22.0	NA	0	0.0	0	0.0
2014	22.2	--	2	2.5	337	3.1
Total						
2013	100.0	NA	87	100.0	9,983	100.0
2014	100.0	--	79	100.0	10,945	100.0
<i>Source: 2013-2014 D&B Data; 2013 and 2014 CRA Reported Data</i>						

Response to Complaints

This criterion evaluates the bank's record of responding to CRA-related complaints. The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the Lending Test or CRA rating.

COMMUNITY DEVELOPMENT TEST

Northmark Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

The bank originated 18 community development loans totaling approximately \$6.2 million during the evaluation period. This level of activity represents 1.9 percent of average total assets and 2.3 percent of average total loans since the prior CRA evaluation.

The bank's community development lending includes seven loans totaling \$3.2 million outside the assessment area to entities that serve within the broader regional area that includes the assessment area. Although these loans do not directly benefit the assessment area, the bank has been responsive to the community development needs of its assessment area; therefore, examiners considered these loans under the Community Development Test. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2012	4	2,610	0	0	2	1,090	0	0	0	0	6	3,700
2013	4	1,104	0	0	1	600	0	0	0	0	5	1,704
2014	2	518	0	0	5	267	0	0	0	0	7	785
Total	10	4,232	0	0	8	1,957	0	0	0	0	18	6,189
<i>Source: Bank Records</i>												

Below are several examples of the bank's community development loans:

- In June of 2012, the bank made a \$1 million loan to a small business in the assessment area. In addition to being located in a moderate-income census tract, the small business provides employment primarily for low- or moderate-income individuals in the area.
- In 2013, the bank originated a \$392,000 loan for the purchase of an apartment building. Of the seven units in the building, two are designated as affordable housing for low- or moderate-income individuals or families. The pro rata amount of the loan, related to affordable housing and included in the previous table, is \$112,000.
- In 2013, the bank originated a \$563,500 loan for the purchase of a building containing 12-one bedroom apartments and two commercial store fronts. The building is located in a moderate-income census tract in a city where the Department of Housing and Urban

Development (HUD) Fair Market Rent for a one-bedroom apartment is \$848 per month. The company purchasing the building rents the apartments for an average of \$588 per month.

- In 2014, the bank originated a \$266,000 loan for the purchase of a six-unit apartment building located in a low-income census tract in Lawrence, Massachusetts. All of the units are one bedroom and are rented for an average of \$663 per month. The apartment building is located in an area where the HUD Fair Market Rent for a one-bedroom apartment is \$848 per month.

Qualified Investments

Northmark Bank made 33 qualified investments totaling \$14,400, all of which were donations. The bank neither held any prior period investments, nor made any qualified equity investments, during the current evaluation period. All qualified donations were to organizations providing community services primarily to low- and moderate-income individuals. The bank made 8 qualified donations totaling \$4,200 in 2012 (March 20, 2012 through December 31, 2012); 11 donations totaling \$5,000 in 2013; and, 14 donations totaling \$5,200 in 2014.

Below are examples of the bank's qualified investment activities:

- The bank contributed an annual donation to the Boys and Girls Club of Woburn. The purpose of this organization is to provide essential services such as child care, homework assistance and tutoring to approximately 300 low- and moderate-income students.
- Northmark Bank contributed annually to the Mass Bankers Association Charitable Foundation. The Foundation's aim is to provide funding to non-profit organizations throughout the State of Massachusetts. A majority of these organizations that received grants during the evaluation period directly support community development initiatives, through community services and affordable housing for low- and moderate-income individuals and families.
- The bank made annual contributions to Lazarus House Ministries in Lawrence. The mission of Lazarus House Ministries is to provide support for low- and moderate-income individuals to break the cycle of poverty. The programs included emergency shelter, food and clothing to people in crisis, as well as support services in the areas of health, housing and workforce development.

Community Development Services

During the evaluation period, bank employees provided 34 instances of financial expertise or technical assistance to nine different organizations within the assessment area for the purpose of community development. The majority of qualified services provided fell into the category of community service for low- or moderate-income individuals. The following points illustrate each community development service provided by the bank during the evaluation period.

- Several employees serve as volunteer readers for the James F. Hennessey School. The bank employees utilize basic financial literacy handouts provided from the U.S. Mint website to convey concepts to the children. The James F. Hennessey School is located in a low-income census tract, and is predominantly attended by students from low- and moderate-income families.
- The bank's Chief Executive Officer (CEO) serves as a member of the Massachusetts Business Roundtable. The mission of this public policy organization is to strengthen the economic vitality of the Commonwealth. Strategies surround topics fundamental to community development, including the areas of Education, Workforce Development, Transportation and Health Care.
- The bank's CEO serves as a Director and a member of the Executive Committee on the Board of the Merrimack Valley Chamber of Commerce (MVCOC). In addition to forming a business network throughout the region, the MVCOC also provides economic development and business assistance in the form of free business counseling, assistance in procuring financing for new or startup business, or permit and building site information. The MVCOC's chief objectives in providing these services are business growth and job creation.
- A bank employee serves as a Vice Chair of the Andover Chamber of Commerce. This organization is a subsidiary of the MVCOC, and focuses its economic development and small business assistance to the Town of Andover.
- A Senior Lending Officer is a member and former President of the Board for the Woburn Boys and Girls Club. The focus of this organization is to provide essential daily services to around 300 students from low- and moderate-income backgrounds, such as child care, homework assistance, and tutoring.
- The bank's Chairman serves on the Board of Directors, as well as the Finance and Scholarship Committees of the Boys and Girls Club of Lawrence. This organization is a youth development agency with a mission to assist low- and moderate-income students break the cycle of poverty by providing educational services throughout the area. Services include college prep, violence prevention, nutritional education, and career development.
- The bank's Chairman serves as a committee member on the Merrimack Valley Community Fund (MVCF). MVCF is a charitable foundation which provides grants to area non-profit organizations. Organizations include local food pantries, neighborhood housing corporations, emergency services, and other resources established to meet the needs of low- and moderate-income individuals.

Other Community Development Services

- The bank participates in the Massachusetts Community & Banking Council Basic Banking Program. The program's aim is to encourage those with modest incomes,

particularly those of low- or moderate-income, to establish banking relationships. Participating banks provide low-cost checking and savings accounts to consumers in their area. The bank offers a checking account and a savings account that meet the Basic Banking guidelines.

- The bank participated in an Interest on Lawyers' Trust Accounts (IOLTA) program during the review period. The interest earned on specific trust accounts are remitted to an IOLTA committee, which in turn provides the funds to the benefit of low-income individuals throughout Massachusetts. Organizations supported by the IOLTA program include the Essex County Bar Association, the Jeanne Geiger Crisis Center, and Neighborhood Legal Services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDIX A

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2013 and 2014 were reviewed to determine if the application flow from different minority groups within the bank's area was reflective of the assessment area demographics.

The bank's residential lending in 2013 was compared to the 2013 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

According to the 2010 U.S. Census data, the bank's assessment area had a population of 288,295, of which 19.8 percent are minorities. The assessment area's minority population consists of 0.1 percent American Indian, 8.2 percent Asian/Pacific Islander, 1.8 percent Black, 7.8 percent Hispanic, and 1.8 percent other.

In 2013, the bank did not receive any applications from minorities; whereas, aggregate data shows that all lenders in the AA received 11.1 percent of their applications from minorities.

In 2014, the bank received one application from an applicant of racial minority, but did not receive any from Hispanic/Latino applicants. Further review of AA demographics revealed that the majority of minorities reside in Lawrence and Methuen; areas in which the bank does not operate any branches. The review of minority application flow at similarly situated institutions revealed results similar to those of Northmark Bank. The lack of branch presence, combined with the bank's limited marketing throughout the AA overall, and significant competition especially in the high-minority tracts has contributed to the limited volume of minority applications at this bank.

APPENDIX B

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates, which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.